

BEN FRANKLIN TRANSIT
Benton County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The Maintenance Department Management Should Avoid The Appearance Of Conflicts Of Interest And Should Strengthen Controls Over The Use Of Assets

Ben Franklin Transit management asked us to review the activities of the maintenance department. As a result, our audit disclosed several irregular practices within the department.

The maintenance manager:

- a. Used a contractor's equipment for his own personal use.
- b. Accompanied a contractor on two fishing trips. The maintenance manager believed this was an allowable practice because he paid his own expenses on these trips.
- c. Authorized employees to trade in 20 old personal batteries for used transit batteries during 1995. However, there was no control over the use and disposition of parts removed from vehicles during routine maintenance.
- d. Used transit vehicles for his own personal purposes by visiting banks and the county auditor's office during the course of other official business travel. This unauthorized use of transit vehicles has also caused other department employees to engage in similar activities. The maintenance manager believed this was an allowable practice as long as there was no additional cost incurred by the transit.

These practices violate Ben Franklin Transit's Policies and RCW 42.23.070.

Transit General Policies and Procedures, No. 5000, Chapter 1, Section I.3 states:

Ben Franklin Transit staff shall treat all vendors fairly and equitably in the procurement process. Collusion and the appearance of collusion shall be voided in all cases.

Transit General Policies and Procedures, No. 5000, Chapter I, Section 1.4 states:

No member of Ben Franklin Transit staff shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub-agreements.

Transit General Policies and Procedures, No. 1090 states:

... Employees are prohibited from using their position for a purpose that

is or gives appearance of being motivated by a desire for private gain for themselves or others

Transit Maintenance Department Rules, Chapter II, Number 15 states:

Theft: Taking of B.F.T. property for private use or sale, regardless of value, is considered theft and you will (be) subject to termination.

Transit General Policies and Procedures, No. 4020 states:

. . . Company vehicles are for official use only.

A March 4, 1995, memo from the transit general manager states:

. . . company vehicles are not to be used for personal reasons.

RCW 42.23.070 states:

(1) No municipal officer may use his or her position to secure special privileges or exceptions for himself, herself, or others.

(2) No municipal officer may, directly or indirectly, give or receive or agree to receive any compensation, gift, reward, or gratuity from a source except the employing municipality, for a matter connected with or related to the officer's services as such an officer unless otherwise provided by law.

The above conditions were caused by a lax attitude over the use of public assets by the maintenance department. While adequate transit policies and procedures are in place to preclude these types of activities, the maintenance manager circumvented these regulations and allowed other department employees to similarly disregard them.

We recommend Ben Franklin Transit:

- a. Employees refrain from using contractor's equipment for personal use and from participating in activities with contractors which are, or give the appearance of, a conflict of interest.
- b. Develop and implement internal control procedures to account for and control used parts removed from transit vehicles during routine maintenance.
- c. Comply with its own policies and procedures to ensure that transit vehicles and other assets are used only for official business purposes.

We also recommend the Washington State Office of the Attorney General and the Benton County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved by the Attorney General and State Auditor as directed by RCW 43.09.260.

2. Public Funds Were Misappropriated

Our audit of the financial records of Ben Franklin Transit of the County of Benton revealed that at least \$667.45 in public funds was misappropriated by an employee during the period August 22, 1995, to August 30, 1995. There were no federal funds involved in this case. These funds were misappropriated as described below

The employee stole unrecorded cash receipts from transit customer payments for various types of bus passes using several different methods.

a. The employee visited two grocery stores which sold combination fair tickets/bus passes.

(1) She performed a surprise audit at one store. During the course of that audit, the employee substituted \$505.25 in unrecorded transit checks for currency the store had received from sales.

(2) She accessed the cash box at another store to give them additional tickets and passes. During the process, the employee substituted \$81.85 in unrecorded transit checks for currency the store had received from sales.

b. A transit cashier cashed \$80.35 in unrecorded transit checks for the employee.

After these exchanges of checks for cash were completed, the employee simply stole these funds.

This employee had the responsibility to issue bus passes and fair tickets and to receipt in the cash and checks received. When we asked the employee about the missing funds she admitted to the misappropriation. The transit terminated her employment effective September 18, 1995.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town or any school, diking, drainage, or irrigation district who)

(1) Shall appropriate to his own use or the use of any person not entitled thereto, without authority of law, any money so received by him as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him, or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account, or

(4) Shall wilfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage or irrigation district or to the proper officer or authority

empowered to demand and receive the same, any money received by him as such officer when it is a duty imposed upon him by law to pay over and account for the same, shall be punished by imprisonment in the state penitentiary for not more than fifteen years.

The following internal control weaknesses allowed the employee to conceal these losses:

- a. Pass by mail forms are not prenumbered and controlled.
- b. Two people did not open the mail, prepare a log of all checks received, transfer these funds to a cashier for further processing, and reconcile these transactions to ensure that all transit revenue was properly accounted for and controlled.
- c. Private businesses which sell fair tickets/bus passes on behalf of the transit did not direct deposit their cash receipts into a Ben Franklin Transit bank account or alternatively write a check to the transit for the amount they had received from sales.

We recommend Ben Franklin Transit seek recovery of the misappropriated \$667.45 and related audit/investigation costs from the employee and their insurance bonding company as appropriate. We further recommend the Washington State Office of the Attorney General and the Benton County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

Bond coverage for transit employees is as follows:

Transit Insurance Pool
Fidelity Coverage (Employee Dishonesty)
Policy Number: PEBEQ3823
Coverage: \$1,000 deductible
Period of Coverage: Continuous for the period of the audit